

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

PLAINS AREA MENTAL HEALTH, INC  
LE MARS, IOWA  
JUNE 30, 2016

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PLAINS AREA MENTAL HEALTH, INC  
LE MARS, IOWA  
JUNE 30, 2016

BOARD OF DIRECTORS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Carol Wadsley	President	September 2017
Paul Jacobsen	Vice-President	November 2018
Deb Steffen	Treasurer	November 2016
Maggie Martinez	Secretary	May 2016
Jeffrey Hayes	Member	September 2017
Sue Bakker	Member	February 2016
Jan Brown	Member	November 2018
Patrick Schmitz	Executive Director	Indefinite

COUNTY BOARD LIAISONS

Dennis Bush	Cherokee County Supervisor
Jim Henrich	Plymouth County Supervisor
Paul Merten	Buena Vista County Supervisor
Rhett Leonard	Ida County Supervisor
Steve Ulmer	Crawford County Supervisor

# BURKHARDT & DAWSON

Certified Public Accountants

793 North Second Street  
P.O. Box 1065  
Cherokee, IA 51012-1065

DONNA R. BURKHARDT, CPA  
LAURA M. DAWSON, CPA

Tele: 712-225-5755  
Fax: 712-225-5756  
www.burkhardtdawsoncpas.com  
E-mail: cpa@burkhardtdawsoncpas.com

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Plains Area Mental Health, Inc.

We have audited the accompanying financial statements of Plains Area Mental Health, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Plains Area Mental Health, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

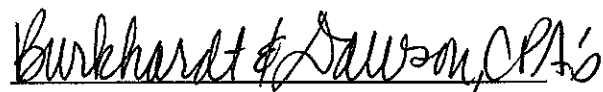
**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Fees and Grants from Governmental Agencies on page 19 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016 on our consideration of Plains Area Mental Health, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Plains Area Mental Health, Inc.'s internal control over financial reporting and compliance.

BURKHARDT & DAWSON, CPA's

A handwritten signature in black ink that reads "Burkhardt & Dawson, CPA's". The signature is written in a cursive, flowing style.

Certified Public Accountants

Cherokee, Iowa  
October 18, 2016

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2016 AND 2015

ASSETS

	2016		
	Land, Building and		
	Unrestricted	Equipment	Total
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 186,493	\$ -	\$ 186,493
Accounts Receivable (Net of Allowances for Doubtful Accounts and Rate Adjustments of \$223,300 and \$174,400, Respectively)	627,785	-	627,785
Other Receivables	18,845	-	18,845
Grant Receivables	53,653	-	53,653
Prepaid Expenses	32,072	-	32,072
TOTAL CURRENT ASSETS	<u>\$ 918,848</u>	<u>\$ -</u>	<u>\$ 918,848</u>
PROPERTY AND EQUIPMENT:			
Land	\$ -	\$ 5,000	\$ 5,000
Downpayment on Equipment	-	-	-
Buildings and Improvements	-	90,000	90,000
Equipment and Furniture	-	766,251	766,251
Leasehold Improvements	-	70,386	70,386
TOTAL	\$ -	\$ 931,637	\$ 931,637
LESS - Accumulated Depreciation	-	(412,454)	(412,454)
NET PROPERTY AND EQUIPMENT	<u>\$ -</u>	<u>\$ 519,183</u>	<u>\$ 519,183</u>
TOTAL ASSETS	<u>\$ 918,848</u>	<u>\$ 519,183</u>	<u>\$ 1,438,031</u>

See accompanying notes to financial statements

2015		
Land, Building and Equipment		
Unrestricted		Total
\$ 436,047	\$ 3,000	\$ 439,047
411,882	-	411,882
159,676	-	159,676
22,927	-	22,927
1,529	-	1,529
<u>\$ 1,032,061</u>	<u>\$ 3,000</u>	<u>\$ 1,035,061</u>
\$ -	\$ 8,000	\$ 8,000
-	43,899	43,899
-	155,000	155,000
-	610,883	610,883
-	65,620	65,620
<u>\$ -</u>	<u>\$ 883,402</u>	<u>\$ 883,402</u>
-	(311,710)	(311,710)
<u>\$ -</u>	<u>\$ 571,692</u>	<u>\$ 571,692</u>
<u>\$ 1,032,061</u>	<u>\$ 574,692</u>	<u>\$ 1,606,753</u>

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2016 AND 2015

LIABILITIES AND NET ASSETS

	2016		
		Land, Building and Equipment	Total
	Unrestricted		
CURRENT LIABILITIES:			
Accounts Payable	\$ 89,455	\$ -	\$ 89,455
Deferred Revenue	400	-	400
Accrued Salaries	300,188	-	300,188
Payroll Taxes Payable	22,964	-	22,964
Accrued Pension Payable	3,549	-	3,549
Customer Deposits	23,601	-	23,601
Current Maturities of Long Term Debt	92,601	-	92,601
TOTAL CURRENT LIABILITIES	<u>\$ 532,758</u>	<u>\$ -</u>	<u>\$ 532,758</u>
LONG TERM DEBT:			
Note Payable	\$ 92,601	\$ -	\$ 92,601
LESS - Current Maturities	<u>(92,601)</u>	<u>-</u>	<u>(92,601)</u>
TOTAL LONG TERM DEBT	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>\$ 532,758</u>	<u>\$ -</u>	<u>\$ 532,758</u>
NET ASSETS:			
Unrestricted Net Assets:			
Available for Operations	\$ 386,090	\$ 519,183	\$ 905,273
Temporarily Restricted Net Assets	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>\$ 386,090</u>	<u>\$ 519,183</u>	<u>\$ 905,273</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 918,848</u>	<u>\$ 519,183</u>	<u>\$ 1,438,031</u>

See accompanying notes to financial statements



2015		
Unrestricted	Land, Building and Equipment	Total
Fund		
\$ 69,325	\$ -	\$ 69,325
31,983	-	31,983
227,581	-	227,581
17,410	-	17,410
2,662	-	2,662
21,950	-	21,950
72,800	-	72,800
<u>\$ 443,711</u>	<u>\$ -</u>	<u>\$ 443,711</u>
\$ 72,800	\$ -	\$ 72,800
(72,800)	-	(72,800)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 443,711</u>	<u>\$ -</u>	<u>\$ 443,711</u>
\$ 588,350	\$ 571,692	\$ 1,160,042
-	3,000	3,000
<u>\$ 588,350</u>	<u>\$ 574,692</u>	<u>\$ 1,163,042</u>
<u>\$ 1,032,061</u>	<u>\$ 574,692</u>	<u>\$ 1,606,753</u>

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016		
	Land, Building and		
	Unrestricted	Equipment	Total
<b>PUBLIC SUPPORT AND REVENUES:</b>			
Public Support:			
Contributions	\$ 729	\$ -	\$ 729
Fees and Grants from Governmental Agencies	1,339,374	-	1,339,374
Outpatient and Community Services	4,823,380	-	4,823,380
Consultant Fees	127,992	-	127,992
Revenues:			
Investment/Dividend Income	487	-	487
Recovery of Bad Debts	7,177	-	7,177
Miscellaneous Income	9,153	-	9,153
(Loss) on Disposal of Equipment	-	-	-
(Loss) on Transfer of Real Estate	-	(68,000)	(68,000)
TOTAL PUBLIC SUPPORT AND REVENUES	<u>\$ 6,308,292</u>	<u>\$ (68,000)</u>	<u>\$ 6,240,292</u>
<b>EXPENSES:</b>			
Program Services:			
Outpatient and Community Support Services	\$ 4,753,724	\$ -	\$ 4,753,724
Supporting Services:			
Management and General	1,643,593	100,744	1,744,337
TOTAL EXPENSES	<u>\$ 6,397,317</u>	<u>\$ 100,744</u>	<u>\$ 6,498,061</u>
CHANGES IN NET ASSETS BEFORE ACQUISITIONS	<u>\$ (89,025)</u>	<u>\$ (168,744)</u>	<u>\$ (257,769)</u>
<b>OTHER CHANGES IN NET ASSETS:</b>			
Equipment Acquisitions (Net of Disposals)	\$ (116,235)	\$ 116,235	\$ -
Net Assets Received in Acquisition of WICMHC	-	-	-
Net Assets Received (Released) from Temporary Restriction	3,000	(3,000)	-
TOTAL OTHER CHANGES IN NET ASSETS	<u>\$ (113,235)</u>	<u>\$ 113,235</u>	<u>\$ -</u>
CHANGES IN NET ASSETS	<u>\$ (202,260)</u>	<u>\$ (55,509)</u>	<u>\$ (257,769)</u>
NET ASSETS - BEGINNING OF YEAR	<u>588,350</u>	<u>574,692</u>	<u>1,163,042</u>
NET ASSETS - END OF YEAR	<u>\$ 386,090</u>	<u>\$ 519,183</u>	<u>\$ 905,273</u>

See accompanying notes to financial statements

2015		
Land,		
Unrestricted	Building and Equipment	Total
\$ 500	\$ 3,000	\$ 3,500
944,017	-	944,017
4,482,812	-	4,482,812
120,927	-	120,927
420	-	420
10,044	-	10,044
23,335	-	23,335
-	(14,671)	(14,671)
-	-	-
<u>\$ 5,582,055</u>	<u>\$ (11,671)</u>	<u>\$ 5,570,384</u>
\$ 3,930,184	\$ -	\$ 3,930,184
1,385,732	60,463	1,446,195
<u>\$ 5,315,916</u>	<u>\$ 60,463</u>	<u>\$ 5,376,379</u>
<u>\$ 266,139</u>	<u>\$ (72,134)</u>	<u>\$ 194,005</u>
\$ (168,417)	\$ 168,417	\$ -
252,973	138,875	391,848
-	-	-
<u>\$ 84,556</u>	<u>\$ 307,292</u>	<u>\$ 391,848</u>
\$ 350,695	\$ 235,158	\$ 585,853
237,655	339,534	577,189
<u>\$ 588,350</u>	<u>\$ 574,692</u>	<u>\$ 1,163,042</u>

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016		
	Program Services	Supporting Services	
	Outpatient and Community Support Services	Management and General	Total
Salaries and Wages	\$ 2,824,397	\$ 935,046	\$ 3,759,443
Employee Benefits and Payroll Taxes	620,847	206,494	827,341
Employee Travel and Transportation	116,684	29,251	145,935
TOTAL SALARIES AND RELATED EXPENSES	\$ 3,561,928	\$ 1,170,791	\$ 4,732,719
Contracted Services	291,979	24,902	316,881
Professional Development	11,967	920	12,887
Supplies, Books and Literature	92,035	522	92,557
Telephone	70,966	5	70,971
Postage	13,002	-	13,002
Repairs and Maintenance	82,413	63,472	145,885
Rent	-	174,907	174,907
Conferences, Conventions and Meetings	11,761	21,193	32,954
Membership Dues and Subscriptions	31,683	40,475	72,158
Insurance	15,322	24,998	40,320
Advertising and Recruitment	68,654	962	69,616
Professional Services:			
Accounting and Legal	-	19,118	19,118
IT Services	100,844	16,416	117,260
Outsourced Payroll Services	111,053	37,017	148,070
Other Services	110,446	17,980	128,426
Bad Debts	170,926	-	170,926
Utilities	-	24,153	24,153
Interest	-	5,065	5,065
Miscellaneous	8,745	697	9,442
TOTAL EXPENSES BEFORE DEPRECIATION	\$ 4,753,724	\$ 1,643,593	\$ 6,397,317
Depreciation	-	100,744	100,744
TOTAL EXPENSES	\$ 4,753,724	\$ 1,744,337	\$ 6,498,061

See accompanying notes to financial statements

2015		
Program Services	Supporting Services	
Outpatient and Community Support Services	Management and General	Total
\$ 2,336,898	\$ 805,340	\$ 3,142,238
528,735	183,837	712,572
98,109	27,383	125,492
<u>\$ 2,963,742</u>	<u>\$ 1,016,560</u>	<u>\$ 3,980,302</u>
317,080	17,351	334,431
24,231	987	25,218
71,041	-	71,041
67,308	-	67,308
16,800	-	16,800
-	57,155	57,155
-	162,848	162,848
15,385	11,243	26,628
5,782	43,927	49,709
41,343	2,639	43,982
64,619	2,573	67,192
13,938	2,269	16,207
107,404	17,484	124,888
105,061	17,103	122,164
46,203	7,522	53,725
63,458	-	63,458
-	22,688	22,688
-	2,635	2,635
6,789	748	7,537
<u>\$ 3,930,184</u>	<u>\$ 1,385,732</u>	<u>\$ 5,315,916</u>
-	60,463	60,463
<u>\$ 3,930,184</u>	<u>\$ 1,446,195</u>	<u>\$ 5,376,379</u>

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets from Operations	\$ (257,769)	\$ 194,005
Adjustments to Reconcile Changes in Net Assets from Operations to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	100,744	60,463
Loss on Disposal of Equipment	-	14,671
Loss on Transfer of Real Estate	68,000	-
(Increase) Decrease in:		
Accounts Receivable	(215,903)	(179,767)
Other Receivables	140,831	227,947
Grant Receivables	(30,726)	(3,067)
Prepaid Expenses	(30,543)	1,615
Increase (Decrease) in:		
Accounts Payable	20,130	(26,688)
Deferred Revenue	(31,583)	2,325
Accrued Salaries	72,607	124,274
Payroll Taxes Payable	5,554	8,050
Accrued Pension Payable	887	(21,380)
Customer Deposits	1,651	3,126
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (156,120)</u>	<u>\$ 405,574</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	\$ (116,235)	\$ (168,417)
Net Cash Received from Acquisition of WICMHC	-	252,973
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>\$ (116,235)</u>	<u>\$ 84,556</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Note Proceeds - Long Term	\$ 95,800	\$ 72,800
Debt Reduction - Long Term	(75,999)	(40,357)
Note Proceeds - Short Term	60,000	232,000
Debt Reduction - Short Term	(60,000)	(324,500)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>\$ 19,801</u>	<u>\$ (60,057)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (252,554)	\$ 430,073
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>439,047</u>	<u>8,974</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 186,493</u>	<u>\$ 439,047</u>

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest Paid	<u>\$ 5,065</u>	<u>\$ 2,635</u>
NONCASH INVESTING TRANSACTIONS:		
Cost of Property and Equipment	\$ -	\$ 307,292
LESS - Fair Value of Property and Equipment Acquired from WICMHC	<u>-</u>	<u>(138,875)</u>
Cash Paid for Property and Equipment	<u>\$ -</u>	<u>\$ 168,417</u>
Cash Received from Acquisition of WICMHC	\$ -	\$ 265,010
Fair Value of Supplies Acquired from WICMHC	-	525
LESS - Liabilities Assumed	<u>-</u>	<u>(12,562)</u>
Net Cash Received from Acquisition of WICMHC	<u>\$ -</u>	<u>\$ 252,973</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY – Plains Area Mental Health, Inc. is a nonprofit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Cherokee, Ida, Plymouth, Sioux, Buena Vista, Carroll, Crawford, Monona, Sac and Greene counties in Iowa.

The Organization is exempt from income tax under Section 501(c)3 of the Internal Revenue Code and a similar section of the Iowa income tax law, which provide tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

The Organization's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for nonprofit corporations.

DATE OF MANAGEMENT'S REVIEW – Management has evaluated subsequent events through October 18, 2016, the date which the financial statements were issued.

FUND ACCOUNTING – The accounts of the Organization are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are summarized as follows in the financial statements:

Unrestricted Fund – This fund accounts for all resources over which the Organization has discretionary control to use in carrying on the operations of the Organization in accordance with the limitations of its charter and bylaws, except for amounts invested in land, buildings and equipment which may be accounted for in a separate fund.

The Organization's Board may designate portions of the Unrestricted Fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets. The Organization maintains separate accounts for designations within the Unrestricted Fund and segregates the designated and undesignated portions of the fund within the net assets section of the Statements of Financial Position.



PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

Land, Building and Equipment Fund – This fund is used to accumulate the net investment in capital assets and to account for the unexpended resources contributed specifically for the purpose of acquiring or replacing land, buildings or equipment for use in the operations of the Organization.

**BASIS OF ACCOUNTING** – Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Purchases of property and equipment providing future benefits are directly charged against the Unrestricted Fund balance and capitalized in the Land, Building and Equipment Fund.

**BASIS OF PRESENTATION** – Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations. The temporarily restricted net assets account for all resources restricted by outside sources which can only be utilized in accordance with the purposes established by the sources of the funds. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

**USE OF ESTIMATES** – The Organization uses estimates in preparing these financial statements in conformity with generally accepted accounting principles. Those estimates

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**CASH AND CASH EQUIVALENTS** – The Organization considers cash on hand, savings accounts and all short term investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents at June 30, 2016 and 2015 are as follows:

	2016	2015
Cash on Hand	\$ 8,246	\$ 2,918
Cash on Hand—Temporary Restriction	-	3,000
Petty Cash	265	220
Checking Accounts	87,962	73,345
Savings Accounts	90,020	359,564
	<u>\$ 186,493</u>	<u>\$ 439,047</u>

**RECEIVABLES** – Receivables are shown at the amount expected to be collected after determining the allowances for doubtful accounts based on an aging of all the individual patient balances.

**PROPERTY AND EQUIPMENT** – Furniture and equipment is stated at cost. Expenditures for additions and betterments in excess of \$1,000 are capitalized while expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets retired or sold and the related accumulated depreciation are eliminated from the accounts in the year of disposal, with the resulting gain or loss credited or charged to operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. No interest costs were capitalized since there were no qualifying assets.

**COMPENSATED ABSENCES** – Organization employees accumulate a limited amount of earned but unused PTO (paid time off) benefits payable to employees. Amounts representing the cost of accumulated compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at June 30, 2016 and 2015, respectively.

**DONATED MATERIALS** – Donated materials are recognized as contributions and valued at fair market value at receipt.

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**CONTRIBUTIONS** – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

**PROMISES TO GIVE** – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

**NET PATIENT SERVICES REVENUE** – Patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**ADVERTISING AND RECRUITMENT** – Advertising costs are expensed when incurred. Total advertising costs are \$69,616 and \$67,192 for the years ended June 30, 2016 and 2015, respectively.

**NOTE 2 – TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets totaled \$-0- and \$3,000 as of June 30, 2016 and 2015, respectively.

	<u>2016</u>	<u>2015</u>
Donation – Restricted Use	\$ -	\$ 3,000
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<u>\$ -</u>	<u>\$ 3,000</u>

Temporarily restricted net assets were released from restriction in the current fiscal year because they were used for their intended purpose.

**NOTE 3 – LEASES:**

**Equipment Leases** – The Organization rents seven copiers for the various offices under noncancellable operating leases. The Organization rents three postage machines for the Storm Lake, LeMars and Cherokee offices under noncancellable operating leases. The operating lease expense under noncancellable operating leases was \$12,912 and \$11,221 for the years ended June 30, 2016 and 2015, respectively.

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JUNE 30, 2016 AND 2015

Future minimum lease payments required under the equipment operating leases as of June 30, 2016 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>AMOUNT</u>
2017	\$ 12,912
2018	10,460
2019	9,181
2020	6,225
Thereafter	-
<b>TOTAL MINIMUM LEASE PAYMENTS</b>	<b>\$ 38,778</b>

Real Estate Leases – The Organization rents space for the LeMars, Cherokee, Ida Grove, Orange City, Storm Lake, Carroll, Jefferson, Denison and Lake City offices under noncancellable operating leases. The operating lease expense under noncancellable real estate leases was \$160,586 and \$151,627 for the years ended June 30, 2016 and 2015, respectively

Future minimum lease payments required under the real estate operating leases as of June 30, 2016 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>AMOUNT</u>
2017	\$ 154,569
2018	124,028
2019	121,645
2020	88,312
2021	18,876
Thereafter	-
<b>TOTAL MINIMUM LEASE PAYMENTS</b>	<b>\$ 507,430</b>

The Organization has miscellaneous rents with terms of twelve months or less, and may be renewed for additional short periods. These rents were \$1,409 and \$-0- for the years ended June 30, 2016 and 2015, respectively.

**NOTE 4 – PENSION PLAN:**

The Organization started a 401(k) plan for all employees who have completed three months of service effective January 1, 2015. The Organization will match 100% of contributions up to 5% of the employee's wages. Employees are fully vested after six years of service.

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The Organization's prior policy was a profit sharing pension plan covering substantially all of its full-time employees. The Organization contributed 5% of covered employees' salaries.

Pension expense amounted to \$94,789 and \$82,442 for June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, the Organization reported payables to the 401(k) plan of \$3,549 and \$2,662, respectively.

**NOTE 5 – DEFERRED REVENUE:**

Plains Area Mental Health, Inc. received funding from Rolling Hills Region of \$100,000 in the prior fiscal year to be used for the purchase and improvements of a regional crisis stabilization home. The Organization reported these funds as unearned income and recognized the revenue as they incurred the corresponding expenses. Revenue of \$31,983 and \$68,017 was recognized for fiscal years June 30, 2016 and 2015, respectively. The deferred revenue at June 30, 2016 and 2015 is \$-0- and \$31,983, respectively.

The Organization received funds during fiscal year ending June 30, 2016 from Cherokee County for \$400 to be used in the future. The Organization reported these funds as unearned income and will recognize the revenue as they incur the corresponding expenses. The revenue recognized through June 30, 2016 and 2015 is \$-0- and \$-0-, respectively. The deferred revenue at June 30, 2016 and 2015 is \$400 and \$-0-, respectively.

**NOTE 6 – SHORT TERM DEBT:**

Short term debt consists of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Note Payable – Line-of-credit, dated April 17, 2016 for up to \$100,000 with an interest rate of 5.25%, is collateralized by a security agreement. It expires April 15, 2017.	\$ -	\$ -
Note Payable – Line-of-credit, dated April 17, 2015 for up to \$100,000 with an interest rate of 5.25%, was collateralized by a security agreement. It expired April 15, 2016.	<u>-</u>	<u>-</u>
<b>TOTAL SHORT TERM DEBT</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

## NOTE 7 – LONG TERM DEBT:

Long term debt consists of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Note Payable dated April 17, 2015 for up to \$401,000 with an interest rate of 5.0%, was collateralized by a security agreement. Interest only payments began May 15, 2015. Principal and interest of \$8,045 payable monthly began September 15, 2015 until maturity April 15, 2020. Total advances of \$168,600 were made as needed to purchase computer software.	\$ 92,601	\$ 72,800
	<u>\$ 92,601</u>	<u>\$ 72,800</u>
LESS – Current Portion	<u>(92,601)</u>	<u>(72,800)</u>
NET LONG-TERM DEBT	<u>\$ -</u>	<u>\$ -</u>

The following is a schedule, for the next year and thereafter, of payments of debt service to be made concerning long term debt at June 30, 2016.

<u>YEAR ENDED JUNE 30,</u>	<u>AMOUNT</u>
2017	\$ 92,601
Thereafter	-
TOTAL PRINCIPAL PAYMENTS	<u>\$ 92,601</u>

## NOTE 8 – CONCENTRATION OF RISK:

The Organization maintains accounts at various local financial institutions. Balances in these accounts were federally insured at June 30, 2016; however, they exceeded the amount covered by FDIC insurance policies at June 30, 2015.

## NOTE 9 – RELATED PARTY TRANSACTIONS:

The Organization had \$10,090 and \$9,600 in expenses to employee family members for services at June 30, 2016 and 2015, respectively. Related party payables consisted of \$3,400 and \$800 at June 30, 2016 and 2015, respectively.

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

NOTE 10 – ACQUISITION OF WICMHC:

Plains Area Mental Health, Inc. acquired West Iowa Community Mental Health Center (WICMHC) on July 1, 2014 due to industry changes. As part of the agreement, WICMHC made cash payments to the Organization totaling \$265,010. The Organization also acquired land, property and equipment of \$138,875 and supplies of \$525, which were recorded by the Organization at their fair values. The Organization also assumed accrued PTO with a fair value of \$12,562. The total net assets received in the acquisition of WICMHC was \$391,848.

NOTE 11 – DOWNPAYMENT ON EQUIPMENT:

The Organization paid \$43,899 during fiscal year ending June 30, 2015 toward the cost of new computer software. Programmers built the program as the Organization deemed necessary. The total cost of the computer system was \$101,489 and was placed in service during fiscal year ending June 30, 2016.

NOTE 12 – 28E AGREEMENT:

The Organization entered a provider and program participation agreement with Rolling Hills Community Services Region on July 16, 2014 under Chapter 28E of the Iowa Code. A supplemental agreement was signed in December 2015 stating all real property, improvements and furnishings were owned by Rolling Hills. The initial duration of this supplemental agreement is from July 1, 2015 through June 30, 2018, which can be renewed by mutual agreement. However, either party may terminate this agreement without cause upon ninety days' written notice to the other party. As of June 30, 2015, expenditures of \$68,017 had been paid toward the purchase of a regional crisis stabilization home. The Organization transferred the house and land to Rolling Hills in January 2016. Removing these items from the Organization's property and equipment during fiscal year June 30, 2016 is reported separately on the Statement of Activities.

NOTE 13 – RISK MANAGEMENT:

Plains Area Mental Health, Inc. is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

## SUPPLEMENTAL INFORMATION



PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
SCHEDULES OF FEES AND GRANTS FROM GOVERNMENTAL AGENCIES  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
COUNTY ALLOTMENTS:		
Ida County, Iowa	\$ -	\$ 200
Carroll County, Iowa	-	800
Sioux Rivers Region - Cherokee (partial year for prior year) and Plymouth Counties	169,850	173,150
Rolling Hills Region - Buena Vista, Carroll, Cherokee (partial year for prior year), Crawford and Ida Counties	895,048	614,097
TOTAL COUNTY ALLOTMENTS	<u>\$ 1,064,898</u>	<u>\$ 788,247</u>
JAIL SERVICES	<u>\$ -</u>	<u>\$ 120</u>
GRANTS:		
Federal:		
Community Mental Health Block Grant	\$ 114,678	\$ 91,461
Head Start and Early Head Start Program	7,253	7,400
Medicare Electronic Health Record Incentive Program	85,000	-
State:		
School Based Mental Health Program	20,000	20,000
Community Link Mentoring Program	26,661	23,634
Local:		
Siouxland Community Foundation	-	1,200
Community Foundation of Greater Plymouth County	-	1,000
Storm Lake Community Chest	525	600
Plymouth County LOST Funds	3,359	-
Ronald McDonald House Charities of Siouxland, Inc.	-	355
LeMars United Way	12,000	10,000
Community Foundation of Carroll County	1,000	-
Missouri River Historical Development	4,000	-
TOTAL GRANTS	<u>\$ 274,476</u>	<u>\$ 155,650</u>
TOTAL FEES AND GRANTS FROM GOVERNMENTAL AGENCIES	<u>\$ 1,339,374</u>	<u>\$ 944,017</u>

# BURKHARDT & DAWSON

Certified Public Accountants

793 North Second Street  
P.O. Box 1065  
Cherokee, IA 51012-1065

DONNA R. BURKHARDT, CPA  
LAURA M. DAWSON, CPA

Tele: 712-225-5755  
Fax: 712-225-5756  
www.burkhardtdawsoncpas.com  
E-mail: cpa@burkhardtdawsoncpas.com

INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of  
Plains Area Mental Health, Inc.

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Plains Area Mental Health, Inc., Le Mars, Iowa, as of and for the year ended June 30, 2016, and the related notes to financial statements, and have issued our report thereon dated October 18, 2016.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Plains Area Mental Health, Inc.'s internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Plains Area Mental Health, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Plains Area Mental Health, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items A, B, C, D and E to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those

charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item F to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Plains Area Mental Health, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Plains Area Mental Health, Inc.'s Responses to the Findings**

Plains Area Mental Health, Inc.'s responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Plains Area Mental Health, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Plains Area Mental Health, Inc. during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURKHARDT & DAWSON, CPA's

  
Certified Public Accountants

Cherokee, Iowa  
October 18, 2016

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
SCHEDULE OF FINDINGS  
JUNE 30, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- A. SEGREGATION OF DUTIES – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Organization's financial statements. We noted one individual has access to the custody of receipts and has the ability to perform all recordkeeping and reconciling functions for the office.

RECOMMENDATION – We realize segregation of duties is difficult with a limited number of office employees. However, the Organization should review the operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff and officials.

RESPONSE – The Organization segregates duties to the best of its ability with the limited number of staff employed.

CONCLUSION – Response accepted.

- B. FINANCIAL REPORTING – During the audit, we identified property and equipment transactions not properly recorded on the Organization's financial statements. There were asset acquisitions from the prior year that were transferred to the Organization's funding agency; however, these assets were still classified as fixed assets on the Organization's financial statements. Adjustments were subsequently made by the Organization to properly report these transactions on the financial statements.

RECOMMENDATION – The Organization should implement procedures to ensure all property and equipment acquisitions and disposals are identified and recorded in the Organization's financial statements.

RESPONSE – This was due to the Rolling Hills Region decision to change the ownership of the Crisis Home and assets within the home to the Region's name versus Plains Area Mental Health's. This decision was made in mid-fiscal year when the majority of assets were already recorded.

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
SCHEDULE OF FINDINGS  
JUNE 30, 2016

CONCLUSION – Response accepted.

- C. PROFESSIONAL FEES – Outside payroll processor's fees are billed with the payroll taxes and benefits, so adjustments are necessary to separate these fees from payroll tax expense based on invoices obtained from the payroll processor. The calculation of these fees is complex and no reconciliation from the invoices to the signed fee agreement was available for the audit.

RECOMMENDATION – Management should reconcile monthly payroll processor fees due to the complexity of the calculation and the materiality of the total fees paid. We also recommend asking the payroll processor for a detail of all fees and expenses on the invoices to assist in this reconciliation.

RESPONSE – The Organization does reconcile biweekly payroll processor fees to their invoice. They will begin reviewing quarterly tax reports when provided by Aureon to reclassify taxes paid versus fees charged. They will also request a detailed invoice of fees charged from Aureon.

CONCLUSION – Response accepted.

- D. ACCOUNTS RECEIVABLE – The accounts receivable balances have grown substantially. The accounts receivable balances greater than 365 days are increasing. The likelihood of collecting those balances diminishes greatly.

RECOMMENDATION – We recommend that the Organization dedicate at least one person to monitor and help control the accounts receivable balances.

RESPONSE – Lack of proper setup, implementation and training of staff on the upgraded Electronic Medical Records has caused issues with managing current accounts receivable balances. Currently, the CFO and Billing Manager are doing their best to monitor and help control the accounts receivable balance. Two other billing staff are working the payments received daily. Additional staff is needed to chase down denials, work collection accounts, and monitor the inaccuracies of payments made by the Managed Care Organizations. Recruitment is being done for this position.

CONCLUSION – Response accepted.

- E. INTERIM FINANCIAL STATEMENTS – Interim financial statements do not include all accrual adjustments.

PLAINS AREA MENTAL HEALTH, INC.  
LE MARS, IOWA  
SCHEDULE OF FINDINGS  
JUNE 30, 2016

RECOMMENDATION – To provide more accurate financial statements and better information for the board and management, more accrual adjustments should be made on a monthly/interim basis.

RESPONSE – This will be done on a monthly basis beginning July 31, 2016. It is noted these entries do take time to calculate. This will be additional hours from the current accounting staff.

CONCLUSION – Response accepted.

- F. CASH – The bank account at the Cherokee location is not being reconciled.

RECOMMENDATION – Bank reconciliations should be prepared for all bank accounts.

RESPONSE – The Cherokee account bank reconciliations were done after the audit visit. The identified staff will be trained on how to complete a correct reconciliation. This will be done monthly.

CONCLUSION – Response accepted.

OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

No matters were reported.